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Capital Availability in Utah

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One of the most challenging problems faced by almost every business owner/operator is meeting the capital needs of a small or expanding business. In some instances, the company's capital requirements are small and can be handled by the owner's personal funds, or with cash flow. However, a more common scenario is one in which the firm's capital needs far exceed what can be generated by either of the aforementioned sources. Entrepreneurs frequently invest all of their expendable capital at the onset and then resort to borrowing from family and friends in order to keep the firm afloat. Cash flow is seldom adequate to fund the purchase of expensive equipment, or to finance growth in production and payroll.

Making the financial structure work while managing the company's expansion and meeting the customers needs is a difficult and frustrating experience for most entrepreneurs. Owners and managers of new and growing companies are often surprised and even annoyed that investors and lenders want detailed information in the form of business plans and financial reports that have not been prepared. In addition, equity investors typically demand an ownership position in the company, while banks and other lending institutions want collateral (houses, property, or equipment) that carries a market value in excess of the requested loan amount.

Indeed, learning the lessons of the financial market place may come as an unpleasant eye-opener to many business owners who feel such requests and requirements are unreasonable. Frustrations often lead to complaints about the demands of lenders and investors, and suggestions that money for business expansion, especially small business expansion, is not readily available in Utah. Furthermore, it is charged that what is available is extremely difficult to secure because Utah bankers are too conservative. Conversely, bankers indicate that business owners expect too much too soon. Owners approach the bank very early on in their credit needs, perhaps even before the company has an established track record.

Some individuals, sympathetic to the plight of the entrepreneur, have suggested that the state or local governments step in and become an investor in, or lender to small businesses, as a way to solve the perceived capital inequities. Such suggestions are often controversial and have not been uniformly accepted by individuals in the financial community, or by business owners who have successfully solved their financial problems; albeit there are some public efforts that do have broad-based support.

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Although there is no conclusive evidence that Utah bankers are more conservative than their out-of-state counterparts, or that capital is unavailable for small business expansion, the frequency of the complaints warranted closer examination of the issues. To examine these concerns, the Bureau of Economic and Business Research (BEBR), University of Utah, was asked by the Utah State Division of Business and Economic Development to look at the problems and review the suggestions that have been made to date. A three-fold approach was used.

First, previous studies completed by BEBR addressing the issue of capital flows in Utah were reviewed and banking data contained in those reports updated. These data were supplied by the Division of Financial Institutions and the Federal Reserve Bank. Unfortunately, capital flows cannot be measured in any quantitative manner; the data simply do not exist. Data are available, however, on the deposits, loans, and loan portfolio distribution of local institutions. These data give a general indication as to the sources and uses of capital in the state. Alternative sources of capital and the financial services that are available to small businesses have also been identified and described.

Second, a task force was appointed by Lynn Blake, Director of the Division of Business Development. This task force included representatives from the Utah Bankers Association, Deseret Certified Development Corporation, Small Business Development Center, Utah Ventures, and Rural Utah or Small Cities, Inc. Finally, with the concurrence and advice of task force members, a series of focus groups were conducted.

What Is a Focus Group?

A focus group is simply a group of experts with extensive experience and knowledge on a particular subject. These individuals are given the opportunity to share their experiences, refine their perceptions and knowledge, and voice their concerns in an open-ended discussion environment. A moderator begins the discussion and keeps it centered on a specific topic. This forum allows the participants to build on each other's knowledge and to express their opinions on the problems and proposals under consideration.

Four focus group sessions were held during the months of August and September. The first group included the senior loan officers and managers of non-performing loans at both large and small commercial banks operating in the State of Utah. The second group consisted of individuals who provide non-banking financial services or consulting services to small businesses that are trying to secure capital. Venture capitalists, administrators of guaranteed loan programs, accountants, and consultants were represented in this group. The final groups (three and four) involved small business owners or managers who have experienced difficulty in raising or securing capital for business expansion. These were individuals with proven track records and viable, on-going businesses.

The participants in each group were asked to do two things: first, to discuss openly and frankly their perceptions of the problems faced by owners of small, Utah-based businesses in attempting to secure capital; and second, to comment on recommendations that the state develop programs or enact initiatives to resolve these problems. Each participant received a transcript from his or her focus group for review and study. However, the confidentiality of individual opinions and comments was, and will continue to be protected.

The study is presented in three sections. The first is an analysis of banking and other financial data. The second section details the conclusions or findings that emerged from the focus groups. In several instances, direct quotes have been taken from the transcripts of those groups, but in no instance has the source of the opinion been identified. The final section provides a series of recommendations that were formulated by reviewing the responses of the focus group participants.

Sources of Capital for Utah's Small Businesses

In Utah's early years, the amount of capital that was available to both individuals and businesses was almost always limited to the savings of pioneers, credit extended by frontier merchants, and the coin and currency minted and printed by the Mormon Church. Consequently, money was in short supply. This situation changed rapidly as population and commercial growth created an increasing demand for capital that could no longer be supplied by these simple sources. Today, Utah residents have access to capital that is imported from many areas outside the state. In fact, it is a widely-held belief that capital markets are the most efficient of all markets.

The availability of capital is, to a great degree, a function of savings. Utah's capital markets depend on the savings of residents and businesses. However, these savings are insufficient to meet the needs of Utah's economy, so national capital markets are tapped in order to provide the monies necessary for economic expansion. In the sense that the market for money is a global one, Utah cannot be considered to be capital poor. But, to the extent that Utah does import capital from outside sources, it can be considered capital short.

Analyzing the impact of this situation on small businesses in Utah would be ideal; however, identifying and quantifying the flows of debt and equity capital across state borders is impossible. A general trend analysis must suffice as an alternative. In this context, financial data from a variety of sources have been accumulated and described. To the extent possible, the impact of these trends on small firms has also been identified.

Debt Capital and Small Business

Debt capital (commercial and industrial loans) is the primary source of debt financing for small businesses in Utah. Whereas large corporations have access to national capital markets, small businesses, due to their size and lack of financial sophistication, are usually excluded from these markets. For such enterprises, Utah's commercial banks are the most important source of capital. Conversely, small businesses are not the only customers served by the commercial banks. Rather, small business owners compete with a variety of individuals and organizations for capital. Table 1 shows the portfolio distribution of Utah's commercial banks and selected surrounding states.

Table 1

Portfolio Analysis of Commercial Banks, 1988
Utah and Surrounding States
(percentages)

	Real Estate	Commercial/ Industrial	Consumer	Agri-culture
Arizona	44.10	24.65	21.11	2.52
California	37.87	24.33	14.71	1.29
Idaho	25.94	27.22	27.77	11.89
Oregon	30.91	38.01	21.88	2.87
Utah	40.06	23.36	26.93	1.58
Nevada	16.71	14.73	66.25	0.17

Source: Federal Reserve Bank of San Francisco, *Regional Banking Data,* December 31, 1986 - December 31, 1988.

As shown in Table 1, in 1988, commercial banks in Utah had approximately 40 percent of their loan portfolio in real estate loans. The data provide some evidence that banks in Utah have been more inclined to engage in loans secured by real estate than banks in surrounding states.

The ratio of real estate loans as a percentage of total loans has remained fairly constant over the past five years. The majority of these are long-term, fixed-rate loans. In comparison, the ratio of commercial/industrial loans as a percent of total loans made over the same period has been steadily declining. These are typically short-term loans (Table 2).

Table 2

Portfolio Ratio Analysis
Utah, 1984 - 1988
(percentages)

	Real Estate	Commercial/ Industrial	Consumer	Agri-culture
1984	40.71	28.79	21.89	1.78
1985	39.73	26.60	22.03	1.69
1986	38.46	25.45	25.62	1.50
1987	38.77	24.78	25.85	1.34
1988	40.06	23.36	26.93	1.58

Source: Federal Reserve Bank of San Francisco, *Regional Banking Data,* December 31, 1986 - December 31, 1988.

In 1988, the value of commercial and industrial loans made by commercial banks totaled $1.68 billion, only slightly higher than the total value in 1984 ($1.67 billion). Commercial and industrial loans hit a peak in 1986 when they totaled $1.77 billion. Of the surrounding states in the Federal Reserve Twelfth District, only Nevada and Idaho banks provided less capital for commercial/industrial needs than did commercial banks in Utah (Table 3).

Table 3

Value of Commercial/Industrial Loans
1985-1988, Utah and Surrounding States
(millions of dollars)

	1985	1986	1987	1988[p]
Arizona	$ 4,680	$ 4,916	$ 5,107	$ 4,902
California	49,247	53,538	50,237	50,519
Idaho	1,345	1,293	1,314	1,298
Nevada	988	1,167	1,295	1,516
Oregon	4,071	4,268	4,422	4,777
Utah	1,734	1,777	1,761	1,681

[p] Preliminary.
Source: Federal Reserve Bank of San Francisco, *Regional Banking Data,* December 31, 1986 - December 31, 1988.

Using data obtained from the Utah Department of Financial Institutions, it appears that banks with less than $25 million in assets, and those with more than $1 billion in assets are slightly more inclined to make business loans. Because the lending limits of small banks are lower than those of larger commercial banks, it is very likely that banks with less than $25 million in assets may have more interest in lending to small businesses (Table 4). Banks with more than $1 billion in assets can more readily meet the capital needs of large companies.

Table 4

Distribution of Loan Portfolio by Asset Size
(percentages)

Loan Type	Banks with Total Assets of: Less than $25 million	$25 to $100 million	$100 million to $1 billion	$1 billion or more
Real Estate	37.4	55.8	46.8	36.0
Commercial	26.9	20.3	23.3	27.3
Consumer	25.7	17.4	25.1	22.4
Agriculture	8.8	3.9	1.0	1.6

Note: Totals may not add to 100% as not all loan types have been included here.
Source: Calculated by the Bureau of Economic and Business Research from data provided by the Utah Department of Financial Institutions.

Deseret Certified Development Company

The Deseret Certified Development Company (DCDC) is a licensee of the Small Business Administration. It participates primarily in the SBA 504 loan program, but also administers other public sector finance programs around the state. DCDC is a certified state-wide lender and has loaned more than $37.0 million to firms throughout Utah; approximately one-third of DCDC's loans are in rural parts of the state. Due to the constraints on the loan programs administered by DCDC, fixed-asset financing is the most readily available; land, building and/or equipment purchases may be financed along with facility construction, renovation or remodeling. The SBA 504 program has many advantages. Up to 40 percent of the funding is provided by SBA at a fixed rate that is generally below market interest rates, the loans are long-term, and usually require a low down payment.

Equity Capital and Small Business

With $10.5 million under management, Utah Ventures is the only venture firm based in Utah. To date, Utah Ventures has invested approximately $2 million in technology-oriented companies and has been influential in attracting an additional $18 million in outside investments for Utah-based companies. Utah organizations that have invested money in the fund include the Utah State Retirement Fund, First Security Bank, Valley Bank, Key Bank, West One Bank, Questar Development, and several local prominent individuals. In addition to providing venture money to high technology companies, Utah Ventures acts as a feeder fund for larger venture companies located outside the state.

With 15 out-of-state venture investors, Utah Ventures provides a window of opportunity to large venture groups that are interested in investing in a fledgling Utah-based company.

While Utah's supply of venture capital may be limited, the venture capital market is global. Few, if any, of the large venture funds limit all but the very smallest of their investments to companies located close to their home base. Venture capitalists are continually looking for good investments. However, the market is maturing. On average, large venture funds will invest in five to seven new companies each year. And, whereas venture investors were eager to become involved with early-stage companies just a few years ago, a recent study by *Inc. Magazine* indicates that they are now leaning more heavily toward investments in second-stage and later-stage expansion (Table 5).

Table 5

Venture Capital Investments
1987

Financing Stage	Percent of 1987 Funds Invested
Seed or Startup	13.0
Other Early Stage	15.0
Second-stage Expansion	31.0
Later-stage Expansion	23.0
LBO/Acquisition	11.0
Other	7.0

Source: *Venture Capital Yearbook*, Venture Economics, 1988. (New York, New York).

Small Business Investment Company

The Small Business Investment Company (SBIC) is the equity financing arm of the SBA, and is the only program sponsored by the Federal Government that makes venture and equity capital available to small businesses. SBIC financing is aimed at small businesses with risk and return characteristics and financing needs that normally prohibit them from securing capital from traditional sources. Although there is not an active SBIC in Utah, there is a signficant amount of interest in establishing an SBIC in the state, with several groups actively investigating the requirements and potential of forming such a financing mechanism.

Despite the absence of an active SBIC, Utah companies have been successful in securing capital under this program. From 1983 through 1988, 99 Utah companies received a total of $11.0 million from SBICs located throughout the United States (Table 6).

Table 6

SBIC Financings
Utah, 1983 - 1987

	Number of Companies	Total Dollars
1983	4	$1,436,500
1984	10	1,932,385
1985	3	1,100,010
1986	23	2,641,044
1987	33	2,313,337
1988	26	1,631,145
Total	99	$11,014,821

Source: *SBIC Digest*, October 1989, Small Business Administration, (Washington, D. C.).

Wayne Brown Institute

The Wayne Brown Institute is a privately-funded organization that provides training and workshops for the advanced technology entrepreneur. One example of the important programs offered to entrepreneurs is the venture capital conference that brings together innovators and potential investors. This conference provides a forum where entrepreneurs can present their companies to a variety of venture capitalists. Company owners are contacted by the investor depending upon the level of interest generated during the presentation. It also provides a network of contacts for recruiting venture capitalists who are interested in advanced technology.

Utah Technology Finance Corporation

The Utah Technology Finance Corporation (UTFC) is quasi-equity investor for startup and early-stage companies. Established in 1983, it is a public, non-profit organization that finances innovative research projects that have a great likelihood of leading to commercially successful projects. Seed capital funding up to $50,000 is available through UTFC's Small Business Innovation Program. The award must be repaid by a 3 percent royalty on gross sales of any product or process that results from the sponsored project. Generally, no more than three times the funding amount will be sought. To date, 70 Utah companies have been selected to receive awards totaling $3.5 million.

UTFC also administers a participating loan program for small, technology-based, high growth companies. Under this program, UTFC provides a company with 30 percent of the requested loan amount (up to $30,000) on a first-in, last-out basis. A participating bank provides the remainder. UTFC's portion of the loan is treated as equity.

Utah Small Business Development Center - EPAS Program

The Utah SBDC has a special program for high growth potential businesses called Entrepreneurial Professional Assistance Service (EPAS). EPAS has provided assistance to companies in establishing proper valuation methods and in negotiating and structuring venture partner arrangements. The EPAS service also provides assistance in the preparation of business and marketing plans, and assists in the preparation of company presentations to the Wayne Brown Institute's Venture Capital conference, as well as for other funding sources.

Findings from the Focus Groups

The findings growing out of the focus groups were many, with a diversity of opinions expressed on a variety of issues. Not every group arrived at the same conclusions; indeed, opinions varied widely among individual group members. In spite of this, several important issues clearly evolved. These have been developed at some length in this report.

Utah's Growing Network

Without exception, the consensus of each focus group was that Utah has made significant progress in the area of business financing, albeit this progress may not have come about as quickly as some would like. As few as 15 years ago, Utah's high technology sector was virtually nonexistent. No venture capital funds were available locally and the number of alternative financing sources was limited. Presently, Utah is home to a $10.5 million venture fund. Programs such as the Utah Technology Finance Corporation have been successful in attracting companies outside of Utah. As one successful entrepreneur explained:

> *We brought our business to Utah from Colorado. Over in Denver, even with all the capital they had, there was not one program in the whole state, at that time, either publicly funded or privately funded, such as the SBIP here in this state. There was nothing. No seed money in Colorado whatsoever.*

For its size, Utah has done quite well in developing a network of organizations to help small businesses grow. In addition to UTFC, three other programs received high marks from the participants. These were the Deseret Certified Development Company, Small Business Development Center and Wayne Brown Institute. All work in tandem to provide capital and consulting services to Utah's small businesses.

The Small Business Development Center (SBDC) is an SBA program that has proven to be extremely popular with small business entrepreneurs. SBDC consultants provide management assistance to small businesses and to entrepreneurs who wish to start new businesses. SBDC provides guidance to entrepreneurs in the areas of long-range planning, marketing, business plan preparation; and most importantly, it helps business owners understand the importance of management and financial planning in the business operation. They do not become involved in the actual financing side of the equation.

Financial Problems Are Most Difficult

Solving the financial problems of a small and growing company continues to be one of the most difficult challenges that entrepreneurs must face. Again and again, business owners voiced their concerns and described their hardships in attempting to finance the growth of their companies while at the same time managing the business. Several felt that resolving those financial challenges was 100 times more difficult that overcoming any other problem in the company. One entrepreneur explained that although he was able to secure a loan from a local bank, it was for far less than he needed. In his opinion, his company would be doubly better off and more stable if he had been able to secure more money. Instead, he is hoping to expand with cash flow, and supplier expansion.

Meeting those challenges may be harder for Utah entrepreneurs because Utah is a small state (on the basis of population), and the ability to solve certain problems is constrained by the state's size. For example, while it would be ideal to have a financial network as sophisticated as that found in larger metropolitan areas, implementing and sustaining those programs requires a capital commitment and critical mass that is simply not available in Utah at the present time.

Are Utah Bankers Too Conservative?

Some companies have found more sympathetic support for their financial needs by contacting financial institutions outside of Utah. In almost every instance, these financial institutions have had more experience in lending to particular industries, have a broader range of capabilities, and are located in states much larger (more densely populated) than Utah. On balance, there is no clear evidence that bankers in Utah are more conservative than bankers in states with population levels similar to Utah's. Ironically, the best defense of banking policies came from some of the most successful business owners. One in particular felt that it is a banker's responsibility to be conservative. Banks use depositors' money to make loans. Their first and foremost obligation is to those depositors and from that perspective, they should view lending with a conservative eye.

The structure of the banking industry may contribute to the perception that banker's are conservative. Problems are compounded as businesses move away from the corporate levels. Loan officers at the branch level may not be equipped or interested in helping companies with much more than the most simple and safe loans because the incentives to do more are lacking. The branch loan officer does not earn any "brownie points" for making a small, potentially risky loan; but his or her job, or possible advancement with the bank may be jeopardized if that loan goes bad. There appears to be more incentive to find a reason to turn the loan down.

Overall, the sense is that while banks are indeed restricted from engaging in certain types of transactions, and though bankers are risk adverse, more could be done in the commercial lending area, especially in lending to high technology companies.

High Technology Lending

Lending to high technology companies poses real problems for Utah bankers. The recent emergence of successful technology-oriented companies in Utah means that few in the banking profession understand high tech business cycles, and even fewer have the ability to evaluate high tech products. Many banks steer away from lending to high technology companies because the perceived risks far outweigh the potential rewards. Banks do not have the option of incorporating equity kickers in the loan package; there are no high-end returns to compensate them for the risk. Venture investors recognize well this risk and typically require large returns on their investment for their willingness to assume that risk. The risk in a young technology business is absolutely there. It is not imagined. Short product life cycles, and technical obsolescence is very real. As one banker explained:

The Bank of Boston formed a substantial high tech lending unit, called the high tech unit, and they split off a group called "Baby Tech"—a small group of experienced lenders who were specifically designated to lend to emerging technology companies. They had some sound people with good technology backgrounds, and they had two basic tenets: (1) We will look for companies that are in an industry and have a product that has potential to grow substantially; (2) We will look for something that has good, sound management expertise. And they would go to very, very young startups, sometimes ones that never had even $1 in sales, and structure a borrowing formula based on future receivables. That was their

genesis. That unit has now been disbanded because it was fraught with problems. The Bank of Boston now views that effort as their community reinvestment program. A substantial bank tried it and did not do well; the risks are very real.

Too Much Too Soon

From a banking perspective, business owners approach banks too early in their needs for credit. Individuals look to banks to fill their financing requirements before the company is a loanable credit. Many business owners are ill-equipped when they approach the bank. They have an idea and come forward without accountants or attorneys, without a plan, and marginal capital if anything, and expect bankers to put money into the business. That is not the role of a bank. Essentially, a business must prove to the banker's satisfaction that it has the ability to repay the debt. Furthermore, bankers are more comfortable lending to businesses that have a sufficient amount of equity cushion. This protects the bank in the case of a downturn in a particular business or industry. Companies with no track record, no collateral, small levels of owner-equity investment, inadequate management, and no business plan are poor candidates for bank loans.

A lack of planning on the part of the entrepreneur is another common complaint. Many business owners have not carefully thought through their future capital needs. They underestimate the amount of capital that will be necessary to carry out their expansion plans, nor do they understand the relationship between an increase in capital requirements and an increase in business activity. Lending the proper amount of capital to help a business expand may well overextend the company to the point where cash flows are insufficient to repay the loan. This is not in the best interest of either organization.

Individuals who consult with owners of small businesses voiced similar opinions. They felt that small business people lacked sophistication in "packaging" themselves when they approached banks; they do not understand what the banks can and cannot do. As one consultant explained:

I think there is a real problem in terms of lack of understanding and education to begin with as to what types of financing resources are available in a particular situation. I talk to people over and over and they say venture capital. And venture capital is one source of financing that is for a particular area. They have no idea as to what type or source of financing is the best type for their situation.

A small business owner, with little in the way of collateral, might approach a bank when he needs to purchase expensive equipment. A more appropriate source might be a leasing company. Throughout the country, there are leasing companies that will lease high technology equipment at market rates, to early stage businesses. These leases are generally structured in a manner that allows the leasing company to participate in the upside of the small business by taking warrants to purchase stock at a given price, or negotiated price, at some point in the future.

Bankers and consultants in each group indicated that in their experience, Utah has a very high degree of entrepreneurial activity; that there is a pioneering spirit in the state that encourages people to be self-sufficient, which translates to a high degree of new business formation, and failure. This perception is borne out in data provided by Dun & Bradstreet detailing business formations and failures (Table 7). This volatility is a cause of concern for bankers, specifically in the retail and service sectors where failure rates are especially high. Unfortunately, banks are usually the first stop in many entrepreneurs' search for capital; when in reality, banks should be much farther down the line. Friends, family, private investors, leasing companies, and industrial credit organizations are all examples of capital sources that should be approached before a banker can be helpful.

Table 7

Business Starts and Failures, 1987
Utah and Selected States

	Business Starts	Business Failures
Maine	997	60
New Hampshire	1,220	134
Arkansas	1,732	438
Idaho	825	444
New Mexico	1,329	224
Utah	1,849	598
Nevada	1,163	285
Hawaii	997	176

Note: States selected for comparison have population levels similar to Utah's.
Source: Dun & Bradstreet Corporation, *Business Starts Record, 1987.* (New York, New York).

Risk Tolerance Is Low

By their own admission, bankers do not have a large appetite for risk. They exist in a heavily

regulated environment and are charged with a fiduciary responsibility to act as custodians for depositors' money. What may not appear as a risky transaction to a small business owner/entrepreneur may easily exceed a bank's risk tolerance level. Additionally, banks have no way to compensate for the high degree of risk that may be associated with lending to small business. Companies in the startup stage and companies that need large equity loans are generally considered by the bank to be high risk investments. As one banker explained:

> *If you have a small company, especially a high tech company, it is going to take a very qualified person to lend to them and to monitor them. What is your return? It is interest. And it is a very low return. Maybe it can be a little higher than you would get on a larger credit, but you don't get any more than that. That is why when the venture capitalist goes in, they want a very large return and they want assurance that the company is going to go somewhere. That is why banks tend to pick companies with a proven track record, because the returns of lending to an unproven company just do not warrant the level of risk involved.*

Profit Motive Is Bank's Prime Motive

Although the market for capital is a global one, banks are not bottomless wells of money and, putting the issue of risk aside, not every viable, low-risk loan will be made. The administrative costs associated with making small loans are as high if not higher, than those associated with large loans. Therefore, making many small, risk-free loans may not be as cost-effective for the bank as making fewer large, risk-free loans would be. The size of the bank (value of loanable assets) determines the size of each transaction. In many cases, the smaller community banks may be more willing to make many small loans (loans under $200,000) simply because they have less money to lend, and want to spread their risk as much as possible. For this reason, smaller banks may also have a greater interest in utilizing the loan guarantee programs offered through the Small Business Administration (7A and 504 programs) to a greater extent than do larger banks. Small business owners need to carefully consider the bank's size when approaching a potential lender.

Loan Guarantee Programs

SBA leveraging and guarantee programs, such as those administered by the Deseret Certified Development Company (DCDC), have been extremely useful in helping small businesses secure capital. Over the years, DCDC has put together over 200 financings for small businesses; of that, 185 have been 504 financings. These loan guarantee programs help the banks reduce their risk to the point that the bank is willing to lend money to a company in a situation that was deemed too risky without the guarantee portion. In 1988, through the 7A and 504 loan programs, SBA guaranteed a total of 273 loans valued at $44.0 million. Approximately $13.1 million was guaranteed under the 504 program. These programs are especially significant for rural Utah companies since they typically have a more difficult time securing capital than do companies located in metropolitan areas of the state.

SBA programs did not always receive high marks from some business owners who felt the lending program was too complicated and time-consuming. Sometimes six to eight weeks passed after the application had been made before the company received approval, and then it was for much less than was needed. Collateral requirements were another drawback. In some instances, collateral in excess of two to three times the actual loan amount was necessary. Several entrepreneurs indicated that SBA required them to pledge every asset of the company and the individual as collateral for the loan, thus prohibiting the company from securing capital for future needs (it should be noted that these companies represent higher risks, and the SBA programs are considered "lender of last resort" programs which may explain the added time and capital requirement). Furthermore, while the 504 program has proved valuable to small businesses, it can be used for fixed assets only. There is no SBA 504 equivalent for equity lending.

Utah does have one equity loan program that is administered through the Utah Technology Finance Corporation—the participating loan program. Under this program, UTFC is a co-lender with a participating bank. UTFC provides 30 percent of the loan, or up to $30,000 with the bank providing the remainder. The bank agrees to treat UTFC's portion as an equity investment, and the remaining 70 percent is treated as a loan. This program was designed to help technology-based companies lacking those assets that would make it a loanable credit. UTFC comes into the loan on a first-in, last-out basis, thus reducing the amount of risk to the bank and making the loan more attractive.

Entrepreneurs who were familiar with UTFC indicated that their interactions with this organization had been both productive and positive. UTFC grants have been useful bargaining chips in attracting money from other investors. According to one entrepreneur, "UTFC money is inexpensive money. A 3 percent royalty on early-stage capital is almost like a gift."

Venture Capital

Utah has a growing venture capital fund, but because the fund is so small, the number and size of investments are limited. The perception from the business community was that while seed money was available for the top-notch deals, many other high technology businesses could be candidates if more money were available. Not surprisingly, the need to attract more venture money into the state was a sentiment expressed frequently by business owners/ entrepreneurs. Many felt that more venture money would go far in alleviating Utah's capital problems. In reality, venture capital fills a very, very narrow niche in the financing spectrum. Furthermore, venture capital is not adventure capital. Venture investors are extremely selective in the types of companies in which they invest. They require that the company have specific characteristics—namely, high growth potential, a large market, and few competitors. Venture capitalists are not interested in putting money into a Utah company that may eventually have only $2 million in sales. Venture people will not do it in Utah, nor will they do it in Chicago or New York.

There is some evidence to suggest that the business deal flow in Utah may not be adequate to motivate an outside investor to maintain an office here. Instead, Utah Ventures acts as a feeder fund for larger, out-of-state investors. Utah Ventures provides the due diligence, and a small percentage of the necessary capital with the understanding that a larger investor will come in at a later date if the company meets all of its milestones.

There is yet another facet of the venture industry that does not bode well for emerging technology companies in Utah. The venture capital industry is maturing, causing structural changes in terms of preferred investments. First, capital is just not as available as it has been in the past. It is increasingly difficult for early startup companies to attract venture dollars because investors have many early-stage investments and are more interested in setting aside capital for second-stage and third-stage investments into these companies. Second, when they do invest in early-stage companies, they want a larger equity position, say 40 to 60 percent ownership for a $3 to $5 million investment. In most cases, this is an unacceptable proposition for the business owner who has struggled to build a business. As one entrepreneur explained:

I've watched individuals who have founded companies get venture capital and grow successfully. And then I've watched their lives eventually go down the tubes because they lose control. I've watched companies go through this growth curve and then sink after getting venture capital because there is no heart left. These venture capital people come in and make decisions based on a MBA formula. ...I think there are people, like myself, who are unwilling to give away control in order to start up.

"Angels" or wealthy individuals with "play money" are another source of venture capital. In some states they are an important source of startup, early-stage or mezzanine capital. In Utah, there are relatively few angels, and those who do live here may be more inclined to find other types of investments. Furthermore, the perception in the business community is that those angels who are willing to invest want a controlling interest in the company with a capital infusion that does not warrant such a position.

Does Utah Have a Capital Gap?

There is no clear evidence that Utah has a "capital gap" at any point along the financing continuum. However, at certain points along that continuum, the amount of available capital is thin. Identifying these areas with any degree of precision is difficult, but not impossible. There was a general consensus among participants in the focus groups that the availability of capital may be limited for businesses in the following situations:

A. Companies that intend to remain small, or whose ability to grow is limited by the market they serve, and will not generate a rate of return high enough to be of interest to a venture investor. Not only are venture investors uninterested in these companies; in many cases, the business has no tangible assets, and is excluded from the SBA lending programs. Bank lending may be available in some situations; but even then, bankers prefer that the owners use personal assets to guarantee the loan. Although these companies may not have the potential growth rate of technology companies, they can provide steady jobs for Utah residents.

B. New or young companies with less than $5 million in sales and/or have capital needs of less than $250,000. Large banks generally shy away from making commercial loans of less than this amount since administrative costs can be excessive. Also, these companies typically do not have enough assets to collateralize the loan. Without SBA guarantees, amounts over $200,000 may be pushing the lending limits of smaller banks. This is not a problem specific to companies residing in Utah; it is universal.

C. Companies that require equity investments ranging from $1 million to $5 million, and technology-oriented companies that want out-of-state equity investments in amounts less than $1 million. Equity

financing for all but the very largest, or fastest growing companies poses another problem. Utah's venture capital group is too small to invest in more than a handful of companies, and would be hard-pressed to make investments of this size ($1 million to $5 million). Requests of this size are out of UTFC's range. Generally, outside investors will not get directly involved until a company's equity capital needs exceed $1 million. Until then, investors are more comfortable investing in their "own back yard" where they can conveniently interact with business owners on a weekly basis if necessary. Furthermore, banks are precluded from making equity investments, and companies of this size seldom have the track record, or asset base necessary for debt lending.

Should State Government Do Anything?

There was no consensus that the state undertake any specific action, or initiate a new program to help small businesses secure financing. There was general agreement that the state should not be in the venture capital or lending business using taxpayer's money. Likewise, a great deal of skepticism was expressed as to the ability of government to implement or manage any type of a financial program. Some felt a state-funded program chartered with the objective of reducing the risks of lending to small businesses was a sure blueprint to make questionable loans In fact, one reason for the tightening of SBA requirements was the high ratio of bad loans that were made when the program was much more flexible. Bankers indicated that if the state put money into a program, it should be administered by a financial institution, or agency with extensive lending experience.

Providing information was another suggestion that received a high degree of support from business owners and bankers alike. At the present time, there is no single office in the state that provides information on the full range of available financial services. Utah Ventures receives on average, 35 to 40 business plans each month. Most of these companies do not meet this investor's criteria, but are viable small businesses that could grow with the proper financing. However, the partners at Utah Ventures do not know in what direction to steer these small businesses. As one individual explained:

> *It is easy if you buy a residence, or if you buy real estate to find out [what is most appropriate]. You just ask your realtor. The same thing should be true for the moms and pops who want to make the transition from mom and pop to include other owners in the business, albeit it may still be a small business over time. They still need to know what stages of financing they should go to.*

Tax incentives were discussed and often recommended in general terms, but no specific proposal received wide support from focus group participants. The effectiveness of such proposals is often vigorously challenged.

Recommendations/Conclusions

Based on the opinions expressed by participants in the four focus groups conducted by the Bureau of Economic and Business Research, the following recommendations have been set forth.

1. Expand the level of technical support, counseling, and education that is available through the Small Business Development Center and possibly other organizations such as the Deseret Certified Development Company.

By utilizing the existing structure of the SBDC, the state could facilitate an education and consulting program that would identify the most appropriate source of financing depending upon the needs of a particular business. This information could be detailed in a state-sponsored publication and distributed by SBDC counselors.

Deseret Certified Development Company provides (DCDC) specialized assistance to businesses and local loan fund managers in rural Utah in the use of public sector development finance programs. Some level of state support could be maintained since such support renders DCDC more competitive in attracting additional federal business financing resources to Utah, such as the rural loan program of the U. S. Farmers Home Administration.

2. Expand the role of the Utah Technology Finance Corporation. Enhance UTFC's ability to coordinate and cooperate with revolving loan programs operated through city and county governments. One suggestion is to expand UTFC's award program to include a second round, or Phase II funding in amounts greater than $50,000. A second suggestion is to expand the participating loan program by making more money available for subordinated, equity lending.

3. Again, no clear support was evidenced for the creation of a new state-funded agency that would act as the "lender or investor of last resort" for either emerging or existing businesses. Furthermore, the creation of such an agency could undermine the effectiveness of existing organizations such as UTFC, Utah Ventures, and DCDC. A better strategy would include one where the state acted as a facilitator in the creation of a privately-funded and administered program that would act as a long-term equity investor for Utah's small businesses.

4. Significant progress has been achieved by bankers, venture capitalists, and the state's economic development efforts. It is clear that continuing progress can be both expected and encouraged in the future.

Utah Business Statistics

UTAH DATA	Jul. 1988	Jul. 1989	% Change from Year Ago	12-Month Average This Year	12-Month Average Last Year	12-Month Average % Change
Total Personal Income (seasonally adjusted) (mil. of dol.) (qtly.)	20,752	NA	NA	NA	19,988	NA
New Corporations (no.)	413	416	0.7%	452	469	-3.8%
New Car, Truck, and Motor Home Sales (no.)	5,563	5,513	-0.9%	5,096	5,263	-3.2%
Agriculture						
Average Prices Recorded by Farmers (dol.)						
Beef Steers and Heifers (cwt) (thous.)	64.70	72.50	12.1%	71.02	66.10	7.4%
Lambs (cwt)	55.40	63.00	13.7%	61.63	68.11	-9.5%
Milk Wholesale (cwt)	10.80	11.60	7.4%	11.97	11.59	3.2%
Alfalfa Hay, Baled (per ton)	75.00	87.00	16.0%	81.42	72.33	12.6%
Cattle Slaughtered (live weight) (thous. of lbs.)	45,846	46,874	2.2%	47,451	45,201	5.0%
Construction						
Total Construction (thous. of dol.) 1	64,123.8	74,631.3	16.4%	68,545.5	NA	NA
Residential	37,811.1	44,545.6	17.8%	33,972.6	NA	NA
Nonresidential	12,599.6	15,850.0	25.8%	21,833.5	NA	NA
Additions, Alterations, and Conversions	13,713.1	14,235.7	3.8%	12,739.3	NA	NA
Total Permit Construction (thous. of dol.) 2	68,515.0	84,658.4	23.6%	75,272.2	76,891.9	-2.1%
Residential	37,251.0	44,826.9	20.3%	35,248.7	34,716.4	1.5%
Nonresidential	13,962.6	24,108.6	72.7%	26,258.9	28,076.6	-6.5%
Additions, Alterations, and Repair	17,301.4	15,722.9	-9.1%	13,764.6	14,098.9	-2.4%
New Dwelling Units (no.)	528	553	4.7%	458	486	-5.9%
Employment						
Civilian Labor Force (thous.)	761.0	790.7	3.9%	769.3	752.0	2.3%
Total Employed Persons	723.5	758.2	4.8%	735.2	711.4	3.3%
Unemployed Persons	37.6	32.5	-13.6%	34.2	40.7	-16.0%
Percent Total Labor Force	4.9	4.1	-16.3%	4.4	5.4	-18.0%
Employees on Nonagricultural Payrolls (thous. of jobs)	654.1	682.2	4.3%	674.1	649.7	3.8%
Manufacturing	99.7	103.0	3.3%	100.8	96.2	4.8%
Mining	8.2	7.9	-3.7%	7.9	8.3	-5.0%
Contract Construction	26.9	27.7	3.0%	25.0	25.1	-0.4%
Transportation, Communication, and Utilities	40.0	40.7	1.8%	40.1	38.6	3.8%
Wholesale Trade	35.8	38.0	6.1%	36.2	35.0	3.6%
Retail Trade	120.8	127.6	5.6%	123.8	118.9	4.1%
Finance, Insurance, and Real Estate	33.4	33.4	0.0%	33.2	33.5	-1.0%
Services 3	155.9	167.2	7.2%	162.8	152.1	7.0%
Federal Government	39.4	40.1	1.8%	39.7	39.4	0.9%
State Government 4	36.4	38.2	4.9%	39.1	38.2	2.3%
Local Government 4	57.6	58.4	1.4%	65.5	64.4	1.8%
Average Weekly Hours						
Manufacturing	40.5	39.5	-2.5%	40.1	40.1	-0.1%
Mining	41.4	40.9	-1.2%	40.6	42.5	-4.6%
Wholesale Trade	38.4	37.2	-3.1%	36.2	38.2	-5.1%
Retail Trade	28.8	27.9	-3.1%	27.5	28.1	-2.3%
Amount of Unemployment Compensation (thous. of dol.)	4,011.2	3,745.0	-6.6%	5,272.8	6,265.5	-15.8%
Finance						
Savings, Savings and Loan Association (mil. of dol.)	2,434.0	2,189.2	-10.1%	2,288.6	2,368.4	-3.4%
Tax Collections by the State of Utah (thous. of dol.)						
Total Tax Collections	48,104.6	219,161.2	355.6%	162,061.3	148,412.4	9.2%
Sales and Use Tax	8,609.3	100,450.6	1066.8%	63,241.8	50,728.6	24.7%
Motor Fuel Tax	879.5	12,027.7	1267.6%	11,789.3	10,652.6	10.7%
Individual Income Tax	17,810.8	59,300.3	232.9%	54,113.9	52,724.9	2.6%
Corporation Franchise Tax	2,703.0	5,898.3	118.2%	7,597.7	5,691.6	33.5%
Production						
Crude Oil to Refineries (thous. of bbls.)	4,540.6	NA	NA	NA	3,965.8	NA
Crude Oil (thous. of bbls.)	2,764.5	2,420.3	-12.5%	2,476.6	2,873.1	-13.8%
Natural Gas (mil. of cu. ft.)	21,623.3	23,794.9	10.0%	22,684.6	23,170.0	-2.1%
Coal (thous. short tons)	1,384.0	1,334.0	-3.6%	1,462.6	1,533.0	-4.6%
Tourism/Travel						
Air Passengers (total no. on and off)(S.L. Int'l Airport)	994,221	1,143,496	15.0%	931,064	916,029	1.6%
Highway Traffic Count Across State Lines	NA	41,318	NA	NA	NA	NA
Transient Room Taxes (thous. of dol.)	74.9	775.2	935.0%	633.6	491.6	28.9%
Visits, State, Nat'l. Parks, Monuments (thous.)	2,338.8	2,267.4	-3.1%	1,101.4	1,075.3	2.4%
Utilities						
Telephone Lines in Service (Mt. Bell)(Residential)	486,273	498,401	2.5%	494,963	484,900	2.1%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	181,044	186,762	3.2%	184,307	178,767	3.1%
Electric Customers (Residential)	471,233	481,930	2.3%	481,175	475,864	1.1%
Electric Customers (Commercial)	46,911	47,743	1.8%	47,527	46,473	2.3%
Natural Gas Customers (Residential & Commercial)	456,191	470,838	3.2%	466,681	453,897	2.8%
Natural Gas Customers (Industrial)	546	567	3.8%	560	547	2.3%

Utah Business Statistics

UTAH DATA	Jul. 1988	Jul. 1989	% Change from Year Ago	12-Month Average This Year	12-Month Average Last Year	12-Month Average % Change
Davis County						
Non-Ag. Employment (thous.)	54.0r	55.8f	3.3%	53.6	52.1	2.9%
Unemployment Rate	4.7r	3.8	-19.1%	3.9	4.9	-20.7%
Auth. Permit Construction (thous. of dol.)	9,429.5	10,112.1	7.2%	9,262.3	10,057.9	-7.9%
New Dwelling Units (no.)	62	87	40.3%	66	73	-10.6%
Postal Receipts (thous. of dol.)	391.2	639.7	63.5%	536.9	379.8	41.4%
Electric Customers (Residential)	48,041	49,039	2.1%	48,582	47,848	1.5%
Electric Customers (Commercial)	3,659	3,610	-1.3%	3,568	3,375	5.7%
Natural Gas Customers (Residential)	50,247	51,808	3.1%	51,261	49,722	3.1%
Natural Gas Customers (Industrial)	53	56	5.7%	55	52	6.8%
Telephone Lines in Service (Mt. Bell)(Residential)	55,363	57,016	3.0%	56,231	54,995	2.2%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	11,399	12,069	5.9%	11,719	10,990	6.6%
Salt Lake County						
Non-Ag. Employment (thous.)	337.4r	351.4f	4.1%	347.4	336.4	3.2%
Unemployment Rate	4.6r	3.9	-15.2%	4.0	5.1	-21.2%
Auth. Permit Construction (thous. of dol.)	25,253.0	33,440.0	32.4%	31,995.5	34,386.4	-7.0%
New Dwelling Units (no.)	180	167	-7.2%	170	177	-3.7%
Postal Receipts (thous. of dol.)	7,718.7	7,372.8	-4.5%	8,273.3	7,745.4	6.8%
Electric Customers (Residential)	238,592	241,864	1.4%	241,819	238,362	1.5%
Electric Customers (Commercial)	20,317	20,671	1.7%	20,701	20,224	2.4%
Natural Gas Customers (Residential)	219,329	223,645	2.0%	222,932	219,119	1.7%
Natural Gas Customers (Industrial)	236	244	3.4%	240	235	2.4%
Telephone Lines in Service (Mt. Bell)(Residential)	229,635	234,534	2.1%	232,849	228,847	1.7%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	111,235	113,237	1.8%	112,079	110,473	1.5%
Utah County						
Non-Ag. Employment (thous.)	79.4r	83.2f	4.8%	82.2	78.1	5.2%
Unemployment Rate	4.6r	4.5	-2.2%	3.8	5.3	-28.1%
Auth. Permit Construction (thous. of dol.)	10,537.5	12,905.9	22.5%	12,100.8	10,784.2	12.2%
New Dwelling Units (no.)	67	82	22.4%	71	66	7.6%
Postal Receipts (thous. of dol.)	1,228.4	1,298.1	5.7%	1,332.7	1,045.9	27.4%
Electric Customers (Residential)	51,912	52,967	2.0%	52,934	52,987	-0.1%
Electric Customers (Commercial)	6,009	6,072	1.0%	5,995	6,003	-0.1%
Natural Gas Customers (Residential)	61,183	62,638	2.4%	62,551	61,147	2.3%
Natural Gas Customers (Industrial)	65	73	12.3%	72	68	5.9%
Telephone Lines in Service (Mt. Bell)(Residential)	63,612	65,455	2.9%	65,727	63,845	2.9%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	19,836	21,278	7.3%	21,049	19,526	7.8%
Weber County						
Non-Ag. Employment (thous.)	62.4r	64.4f	3.2%	63.0	61.0	3.3%
Unemployment Rate	6.1r	5.3	-13.1%	5.0	6.5	-23.0%
Auth. Permit Construction (thous. of dol.)	4,715.5	4,744.7	0.6%	5,149.7	7,157.3	-28.0%
New Dwelling Units (no.)	41	48	17.1%	44	52	-15.6%
Postal Receipts (thous. of dol.)	618.9	549.7	-11.2%	679.0	636.8	6.6%
Electric Customers (Residential)	53,404	53,949	1.0%	53,951	53,275	1.3%
Electric Customers (Commercial)	4,912	4,948	0.7%	4,981	4,904	1.6%
Natural Gas Customers (Residential)	49,553	50,285	1.5%	50,279	49,418	1.7%
Natural Gas Customers (Industrial)	82	85	3.7%	84	84	0.4%
Telephone Lines in Service (Mt. Bell)(Residential)	46,538	47,424	1.9%	47,014	46,207	1.7%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	12,007	12,212	1.7%	12,149	11,519	5.5%

1 Obtained from U.S. Bureau of the Census Construction Statistics Division.
2 Obtained from *Utah Construction Report*.
3 Includes services by nonprofit and religious organizations.
4 Includes public schools and college institutions.

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Sources:

Personal Income	U.S. Department of Commerce, Bureau of Economic Analysis.
New Corporations	Utah Secretary of State.
New Car and Truck Sales	Utah State Tax Commission, Economic and Statistical Unit.
Agriculture	U.S. Department of Agriculture, Utah Agricultural Statistics Service, *Utah Agriculture*.
Construction Data	U.S. Bureau of the Census and Bureau of Economic and Business Research, *Utah Construction Report*.
Employment Data	Utah Department of Employment Security.
Savings Information	Utah Savings and Loan Institutions.
Tax Collections	Utah State Tax Commission.
Crude Oil Production	Utah Department of Oil, Gas, and Mining and Area Oil Refineries.
Natural Gas Production	Utah Department of Oil, Gas, and Mining.
Coal Production	U.S. Department of Energy.
Air Passengers	Salt Lake City International Airport, Statistics Division.
Highway Traffic Count	Utah Department of Transportation.
Visits to State and National Parks and Monuments	U.S. Forest Service, Utah State Parks and Recreation Department.
Utilities Data	Cooperating Utah Utility Companies.
Postal Receipts	Postmasters in Davis, Salt Lake, Utah, and Weber Counties.

Utah Business Statistics

UTAH DATA	Aug. 1988	Aug. 1989	% Change from Year Ago	12-Month Average This Year	12-Month Average Last Year	12-Month Average % Change
Davis County						
Non-Ag. Employment (thous.)	54.5r	56.1f	2.9%	53.9	52.3	3.1%
Unemployment Rate	5.2r	4.2	-19.2%	3.9	4.9	-20.7%
Auth. Permit Construction (thous. of dol.)	13,008.0	10,120.0	-22.2%	9,021.7	9,892.3	-8.8%
New Dwelling Units (no.)	83	78	-6.0%	65	71	-8.0%
Postal Receipts (thous. of dol.)	408.4	574.1	40.6%	550.7	388.7	41.7%
Electric Customers (Residential)	48,230	49,133	1.9%	48,658	47,937	1.5%
Electric Customers (Commercial)	3,491	3,611	3.4%	3,578	3,396	5.3%
Natural Gas Customers (Residential)	50,076	51,652	3.1%	51,392	49,855	3.1%
Natural Gas Customers (Industrial)	53	56	5.7%	55	52	5.1%
Telephone Lines in Service (Mt. Bell)(Residential)	55,489	57,128	3.0%	56,368	55,004	2.5%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	11,454	12,072	5.4%	11,770	11,052	6.5%
Salt Lake County						
Non-Ag. Employment (thous.)	339.8r	356.1f	4.8%	348.8	337.0	3.5%
Unemployment Rate	4.9r	3.7	-24.5%	4.0	5.1	-21.4%
Auth. Permit Construction (thous. of dol.)	36,834.2	37,186.7	1.0%	32,024.9	34,111.8	-6.1%
New Dwelling Units (no.)	200	176	-12.0%	168	176	-4.5%
Postal Receipts (thous. of dol.)	8,136.4	7,908.1	-2.8%	8,254.3	7,885.9	4.7%
Electric Customers (Residential)	238,619	242,704	1.7%	242,159	238,642	1.5%
Electric Customers (Commercial)	20,507	21,165	3.2%	20,756	20,282	2.3%
Natural Gas Customers (Residential)	218,491	223,028	2.1%	223,310	219,473	1.7%
Natural Gas Customers (Industrial)	241	245	1.7%	241	235	2.3%
Telephone Lines in Service (Mt. Bell)(Residential)	229,880	234,988	2.2%	233,274	229,126	1.8%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	111,551	113,383	1.6%	112,232	110,569	1.5%
Utah County						
Non-Ag. Employment (thous.)	81.5r	85.4f	4.8%	83.0	78.8	5.2%
Unemployment Rate	4.5r	3.9	-13.3%	3.8	5.1	-25.5%
Auth. Permit Construction (thous. of dol.)	11,053.7	12,789.5	15.7%	12,245.5	10,592.9	15.6%
New Dwelling Units (no.)	82	95	15.9%	72	66	8.9%
Postal Receipts (thous. of dol.)	1,228.7	1,328.8	8.1%	1,341.0	1,078.4	24.4%
Electric Customers (Residential)	53,398	53,398	0.0%	52,934	52,623	0.6%
Electric Customers (Commercial)	6,019	6,346	5.4%	6,023	5,974	0.8%
Natural Gas Customers (Residential)	61,404	62,934	2.5%	62,679	61,280	2.3%
Natural Gas Customers (Industrial)	68	73	7.4%	72	68	6.5%
Telephone Lines in Service (Mt. Bell)(Residential)	63,623	65,131	2.4%	65,853	64,059	2.8%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	19,927	21,099	5.9%	21,146	19,637	7.7%
Weber County						
Non-Ag. Employment (thous.)	62.4r	64.3f	3.0%	63.3	61.2	3.4%
Unemployment Rate	6.7r	4.5	-32.8%	4.9	6.4	-23.7%
Auth. Permit Construction (thous. of dol.)	6,182.5	6,739.2	9.0%	5,196.1	6,364.9	-18.4%
New Dwelling Units (no.)	62	57	-8.1%	44	49	-11.6%
Postal Receipts (thous. of dol.)	607.6	639.4	5.2%	681.7	639.7	6.6%
Electric Customers (Residential)	53,428	53,998	1.1%	53,999	53,333	1.2%
Electric Customers (Commercial)	4,972	5,030	1.2%	4,986	4,913	1.5%
Natural Gas Customers (Residential)	49,784	50,264	1.0%	50,319	49,534	1.6%
Natural Gas Customers (Industrial)	82	85	3.7%	84	84	1.0%
Telephone Lines in Service (Mt. Bell)(Residential)	46,560	47,331	1.7%	47,078	46,255	1.8%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	12,034	12,255	1.8%	12,167	11,596	4.9%

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New Corporations (no.)	456	420	-7.9%	449	471	-4.8%
New Car, Truck, and Motor Home Sales (no.)	5,439	5,964	9.7%	5,140	5,246	-2.0%
Agriculture						
Average Prices Recorded by Farmers (dol.)						
Beef Steers and Heifers (cwt) (thous.)	67.00	71.90	7.3%	71.43	66.34	7.7%
Lambs (cwt)	54.30	62.80	15.7%	62.33	66.61	-6.4%
Milk Wholesale (cwt)	11.20	12.30	9.8%	12.06	11.55	4.4%
Alfalfa Hay, Baled (per ton)	76.00	86.00	13.2%	82.25	73.17	12.4%
Cattle Slaughtered (live weight) (thous. of lbs.)	50,863	49,677	-2.3%	47,352	45,748	3.5%
Construction						
Total Construction (thous. of dol.) 1	75,020.7	83,879.3	11.8%	69,283.7	NA	NA
Residential	39,158.2	47,809.9	22.1%	34,693.6	NA	NA
Nonresidential	20,490.3	20,418.6	-0.3%	21,827.6	NA	NA
Additions, Alterations, and Conversions	15,372.2	15,650.9	1.8%	12,762.5	NA	NA
Total Permit Construction (thous. of dol.) 2	84,059.7	84,777.9	0.9%	75,332.1	75,535.6	-0.3%
Residential	39,597.1	45,251.8	14.3%	35,719.9	34,217.6	4.4%
Nonresidential	25,244.5	23,362.1	-7.5%	26,102.1	27,771.4	-6.0%
Additions, Alterations, and Repairs	19,218.1	16,164.0	-15.9%	13,510.1	13,546.5	-0.3%
New Dwelling Units (no.)	533	513	-3.8%	456	476	-4.2%
Employment						
Civilian Labor Force (thous.)	770.3	793.2	3.0%	773.2	753.3	2.6%
Total Employed Persons	731.0	761.8	4.2%	739.1	713.1	3.6%
Unemployed Persons	39.2	31.4	-19.9%	34.1	40.2	-15.2%
Percent Total Labor Force	5.1	4.0	-21.6%	4.4	5.3	-17.5%
Employees on Nonagricultural Payrolls (thous. of jobs)	660.6	690.0	4.5%	677.0	651.6	3.9%
Manufacturing	100.6	104.1	3.5%	101.3	96.8	4.6%
Mining	8.0	8.5	6.3%	7.9	8.3	-5.0%
Contract Construction	27.5	28.7	4.4%	25.2	25.0	0.8%
Transportation, Communication, and Utilities	40.4	41.1	1.7%	40.2	38.8	3.7%
Wholesale Trade	36.0	38.5	6.9%	36.5	35.1	4.2%
Retail Trade	123.0	129.9	5.6%	124.5	119.3	4.4%
Finance, Insurance, and Real Estate	33.5	33.2	-0.9%	33.1	33.5	-0.9%
Services 3	157.8	168.3	6.7%	163.6	152.8	7.1%
Federal Government	39.3	40.3	2.5%	39.8	39.4	1.1%
State Government 4	36.5	38.4	5.2%	39.3	38.3	2.5%
Local Government 4	58.0	59.0	1.7%	65.6	64.5	1.7%
Average Weekly Hours						
Manufacturing	40.7	40.3	-1.0%	40.0	40.2	-0.4%
Mining	40.8	41.8	2.5%	40.6	42.6	-4.7%
Wholesale Trade	36.9	35.5	-3.8%	36.1	38.2	-5.3%
Retail Trade	28.1	28.0	-0.4%	27.4	28.1	-2.4%
Amount of Unemployment Compensation (thous. of dol.)	5,018.5	4,401.6	-12.3%	5,221.4	6,212.6	-16.0%
Finance						
Savings, Savings and Loan Association (mil. of dol.)	2,401.0	2,172.4	-9.5%	2,269.5	2,364.1	-4.0%
Tax Collections by the State of Utah (thous. of dol.)						
Total Tax Collections	203,069.6	80,700.2	-60.3%	151,863.8	148,589.6	2.2%
Sales and Use Tax	87,776.3	3,085.9	-96.5%	56,184.3	52,052.1	7.9%
Motor Fuel Tax	11,894.4	12,333.7	3.7%	11,825.9	10,889.1	8.6%
Individual Income Tax	63,477.3	45,612.6	-28.1%	52,625.2	51,160.6	2.9%
Corporation Franchise Tax	878.2	195.2	-77.8%	7,540.8	5,639.5	33.7%
Production						
Crude Oil to Refineries (thous. of bbls.)	4,722.2	NA	NA	NA	4,036.4	NA
Crude Oil (thous. of bbls.)	2,762.8	2,417.1	-12.5%	2,447.8	2,861.5	-14.5%
Natural Gas (mil. of cu. ft.)	22,428.3	23,713.5	5.7%	22,791.7	23,377.9	-2.5%
Coal (thous. short tons)	1,694.0	1,774.0	4.7%	1,469.3	1,549.1	-5.2%
Tourism/Travel						
Air Passengers (total no. on and off)(S.L. Int'l Airport)	1,060,054	1,218,317	14.9%	944,252	919,557	2.7%
Highway Traffic Count Across State Lines	NA	41,318	NA	NA	NA	NA
Transient Room Taxes (thous. of dol.)	1,099.2	85.1	-92.3%	549.1	561.3	-2.2%
Visits, State, Nat'l. Parks, Monuments (thous.)	2,275.4	2,318.0	1.9%	1,104.9	1,088.7	1.5%
Utilities						
Telephone Lines in Service (Mt. Bell)(Residential)	486,884	498,802	2.4%	495,956	485,626	2.1%
Telephone Lines in Service (Mt. Bell)(Nonresidential)	181,606	186,970	3.0%	184,754	179,189	3.1%
Electric Customers (Residential)	476,380	483,513	1.5%	481,770	475,838	1.2%
Electric Customers (Commercial)	47,115	48,743	3.5%	47,663	46,559	2.4%
Natural Gas Customers (Residential & Commercial)	454,906	470,565	3.4%	467,986	454,986	2.9%
Natural Gas Customers (Industrial)	552	567	2.7%	561	548	2.5%

NATIONAL DATA

	Jul. 1988	Jul. 1989	% Change from Year Ago	12-Month Average This Year	12-Month Average Last Year	12-Month Average % Change
U.S. Gross National Product (seasonally adjusted) (bil.) (qtly.)	4,926.9	5,273.2	7.0%	5,093.6	4,732.7	7.6%
Total Personal Income (seasonally adjusted) (bil. of dol.)	4,079.8	4,443.8	8.9%	4,280.5	3,945.6	8.5%
Industrial Production Indexes (seasonally adjusted) (1977=100)	138.0	142.0	2.9%	140.5	134.3	4.6%
Total Non-Farm Bus. Expend. on New Plants & Equip. (bil.) (qtly.)	435.6	481.2	10.5%	455.8	413.0	10.4%
Net Exports of Goods and Services (bil.) (qtly.)	-66.2	-67.7	2.3%	-60.5	-92.8	-34.8%
Exports of Goods and Services (bil.) (qtly.)	556.8	618.6	11.1%	597.2	506.9	17.8%
Imports of Goods and Services (bil.) (qtly.)	623.0	686.3	10.2%	657.7	599.7	9.7%
Index of Leading Indicators (1982=100)	143.0	144.0	0.7%	144.6	141.8	2.0%
Price Indexes						
Consumer Price Indexes (not seasonally adjusted) (1982-84=100)	118.5	124.4	5.0%	121.7	116.2	4.7%
CPI-U (All Urban Consumers) All Items	118.8	125.4	5.6%	122.3	115.8	5.7%
CPI-U (All Urban Consumers) Food & Beverages	119.1	123.9	4.0%	121.0	116.7	3.7%
CPI-U (All Urban Consumers) Housing	109.8	115.4	5.1%	112.3	107.5	4.5%
CPI-U (All Urban Consumers) Transportation	139.3	149.7	7.5%	144.4	134.9	7.0%
CPI-U (All Urban Consumers) Medical Care	91.4	98.5	7.8%	92.5	89.4	3.4%
CPI-U (All Urban Consumers) Energy						
Producer Price Index (not seasonally adjusted) (1982=100)	108.5	114.0	5.1%	111.4	106.6	4.5%
Producer Price Index, All Finished Goods	121.9	126.8	4.0%	124.3	119.4	4.1%
GNP Price Deflator (1982=100) (qtly.)						
Civilian Employment (seasonally adjusted)						
Total Civilian Labor Force (mil.)	121.7	124.0	1.9%	123.0	120.9	1.8%
Total Civilian Employment (mil.)	115.0	117.5	2.2%	116.5	114.0	2.2%
Unemployment Rate	5.4	5.2	-3.7%	5.3	5.7	-7.4%
Construction						
Total Construction (mil. of dol.)	22,309.4	22,329.5	0.1%	20,475.0	21,485.6	-4.7%
Residential	10,098.6	10,318.2	2.2%	9,885.3	9,951.9	-0.7%
Nonresidential	8,215.7	7,975.6	-2.9%	7,011.6	7,612.4	-7.9%
Non-Building	3,995.1	4,035.7	1.0%	3,578.1	3,943.8	-9.3%
New Dwelling Units (no.)	120,140	119,900	-0.2%	114,746	123,525	-7.1%
Interest Rates						
Federal Funds Rate	7.75	9.24	19.2%	9.03	6.99	29.1%
Short Term (3-month Treasury bill rate)	6.73	7.92	17.7%	8.02	6.09	31.7%
Long Term (30-year Treasury bond yields)	9.20	8.19	-11.0%	8.98	9.04	-0.7%
Prime Rates Charged by Banks on Short-term Business Loans (avg.)	9.29	10.98	18.2%	10.70	8.75	22.3%
Mortgage Rates (new homes)	8.80	10.06	14.3%	9.38	8.83	6.3%

Sources: *Business Conditions Digest*, U.S. Department of Commerce: U.S. Gross National Product, Total National Personal Income, Industrial Production Indexes, Total Business Expenditures for New Plant Equipment, Export/Import Data, Index of Leading Indicators, GNP Price Deflator, National Employment Data, Interest Rates.

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NATIONAL DATA	Aug. 1988	Aug. 1989	% Change from Year Ago	12-Month Average This Year	12-Month Average Last Year	12-Month Average % Change
U.S. Gross National Product (seasonally adjusted) (bil.) (qtly.)	4,926.9	5,273.2	7.0%	5,122.5	4,762.7	7.6%
Total Personal Income (seasonally adjusted) (bil. of dol.)	4,094.2	4,456.4	8.8%	4,310.7	3,970.2	8.6%
Industrial Production Indexes (seasonally adjusted) (1977=100)	138.5	142.4	2.8%	140.8	134.9	4.4%
Total Non-Farm Bus. Expend. on New Plants & Equip. (bil.) (qtly.)	435.6	481.2	10.5%	459.6	416.6	10.3%
Net Exports of Goods and Services (bil.) (qtly.)	-66.2	-67.7	2.3%	-60.7	-88.7	-31.6%
Exports of Goods and Services (bil.) (qtly.)	556.8	618.6	11.1%	602.4	515.1	16.9%
Imports of Goods and Services (bil.) (qtly.)	623.0	686.3	10.2%	663.0	603.9	9.8%
Index of Leading Indicators (1982=100)	144.1	144.7	0.4%	144.7	141.8	2.0%
Price Indexes						
Consumer Price Indexes (not seasonally adjusted) (1982-84=100)						
CPI-U (All Urban Consumers) All Items	119.0	124.6	4.7%	122.2	116.6	4.7%
CPI-U (All Urban Consumers) Food & Beverages	119.4	125.6	5.2%	122.8	116.2	5.7%
CPI-U (All Urban Consumers) Housing	119.5	124.2	3.9%	121.4	117.0	3.8%
CPI-U (All Urban Consumers) Transportation	109.6	114.3	4.3%	112.7	107.7	4.6%
CPI-U (All Urban Consumers) Medical Care	139.9	150.7	7.7%	145.3	135.7	7.1%
CPI-U (All Urban Consumers) Energy	92.3	97.0	5.1%	92.9	89.3	4.0%
Producer Price Index (not seasonally adjusted) (1982=100)						
Producer Price Index, All Finished Goods	108.8	113.3	4.1%	111.8	106.8	4.6%
GNP Price Deflator (1982=100) (qtly.)	121.9	126.8	4.0%	124.7	119.7	4.2%
Civilian Employment (seasonally adjusted)						
Total Civilian Labor Force (mil.)	122.0	124.0	1.6%	123.2	121.0	1.8%
Total Civilian Employment (mil.)	115.2	117.6	2.1%	116.7	114.2	2.2%
Unemployment Rate	5.6	5.2	-7.1%	5.3	5.7	-7.5%
Construction						
Total Construction (mil. of dol.)	24,826.5	24,128.5	-2.8%	20,557.2	21,568.1	-4.7%
Residential	11,788.2	11,553.8	-2.0%	9,921.5	10,027.6	-1.1%
Nonresidential	9,259.1	8,625.7	-6.8%	7,031.2	7,679.4	-8.4%
Non-Building	3,779.2	3,949.0	4.5%	3,604.6	3,883.5	-7.2%
New Dwelling Units (no.)	140,836	129,170	-8.3%	114,499	123,335	-7.2%
Interest Rates						
Federal Funds Rate	8.01	8.99	12.2%	9.11	7.10	28.3%
Short Term (3-month Treasury bill rate)	7.02	7.91	12.7%	8.09	6.17	31.1%
Long Term (30-year Treasury bond yields)	9.33	8.26	-11.5%	8.89	9.07	-2.0%
Prime Rates Charged by Banks on Short-term Business Loans (avg.)	9.84	10.50	6.7%	10.75	8.88	21.1%
Mortgage Rates (new homes)	8.68	9.83	13.2%	9.48	8.80	7.7%

Sources: *Business Conditions Digest*, U.S. Department of Commerce: U.S. Gross National Product, Total National Personal Income, Industrial Production Indexes, Total Business Expenditures for New Plant Equipment, Export/Import Data, Index of Leading Indicators, GNP Price Deflator, National Employment Data, Interest Rates.

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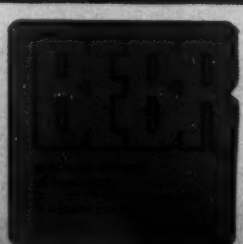

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